



STATE OF CALIFORNIA
FRANCHISE TAX BOARD
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KATHLEEN CONNELL
Chair

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Member

March 9, 2001

Information Letter No. 200818

Dear *****:

In your letter dated *****, you request advice concerning the taxability of your IRA distributions.

You stated that you contributed ***** during the years ***** and ***** through ***** for which you received no California deduction, apparently because you and your spouse were active participants in qualified or government retirement plans. You ask how California allows you to recover these nondeductible contributions.

Revenue and Taxation Code section 17085 states that an individual recovers nondeductible IRA contributions made before 1987, tax free upon distribution. For ordering purposes, the tax-free portion is deemed to be distributed first. In your case, the first ***** distributed from your IRA will be a recovery of your ***** contributions and not subject to tax. All subsequent contributions will be taxed according to federal rules in effect for taxable years *****, to which California conforms. Under these federal rules, any nondeductible contributions made after 1986 are recovered on a pro rata basis, according to ratio of post-1986 contributions to the account balance in the IRA.

Please be advised that the tax consequences expressed in this opinion are based upon and limited to the facts you submitted. This letter is provided for information only and is not to be considered "written advice from the Board" within the meaning of Revenue and Taxation Code section 21012.

Please feel free to contact me at the above number if you need further assistance.

Richard Gould
Tax Counsel